

Financing

Overview: *The Financing section of Chapter 3 includes discussion of:*

- *the use of SEPA authority since Northgate Plan adoption;*
- *the lack of use of local improvement districts, Northgate Open Space Fund, and latecomer-oriented financing tools; and*
- *the potential need for additional research to identify alternative financing methods.*

SUMMARY OF POLICY AND IMPLEMENTATION GUIDELINES

Policy 16 states, “*The City should explore and develop a variety of strategies for financing the implementation of this plan.*” The five implementation guidelines discuss:

- street project contract improvement;
- local improvement districts (LIDs);
- a Northgate Open Space Fund;
- improvements in transit operations; and
- use of SEPA conditioning authority to mitigate development project impacts.

This policy and the related guidelines define examples of funding strategies that are not dependent upon typical City funding for street, sidewalk and open space improvements. The LID and the “street project contract improvement” (which requires latecomers to share in the cost of prior street improvements) share the cost of improvements among property owners in an area. The Northgate Open Space Fund and use of SEPA authority are methods of obtaining funds from developing/redeveloping properties that help offset the impacts of new development. The transit operations guideline seeks to obtain more service from King County Metro to better serve the Northgate core and residential areas.

ACTIONS TO DATE

Since Northgate Plan adoption, the street project contract improvement, local improvement district, and Open Space Fund financing strategies discussed in this section of the Northgate Plan have not been used. SEPA authority has been used, and some transit service improvements have occurred.

CITIZEN COMMENTS

Citizens expressed concerns with topics in this section, including:

- financing methods should be sure to obtain a proportional share of the cost of improvements from developers of new projects;
- the proportional share principle should also be followed for local improvement districts;
- gathering funds in lieu of open space through the Northgate Open Space Fund is not an acceptable alternative to requiring open space on each development site;
- concern that SEPA conditioning references in I.G. 16.5 did not list all of the required items, possibly omitting a drainage-related item;

- best available science should be used in determining SEPA impacts on development proposals; and
- interest in the status of transit operations and ridership (per I.G. 16.4).

DISCUSSION

SEPA Authority

Of the listed strategies, SEPA authority is the most frequently used strategy. Most if not all substantial development requiring a Master Use Permit requires a SEPA environmental determination. Traffic circulation, pedestrian/vehicle conflicts, drainage control and impacts on nearby residential uses are typical matters reviewed by the City for which SEPA conditioning is often applied to mitigate identified impacts. For larger development projects, there is a greater likelihood of significant impacts and thus greater potential for identifying mitigation measures, such as street and signalization improvements. The Northgate Plan contained additional policies that could be used under SEPA to identify significant adverse impacts and require mitigation, such as maintaining and protecting single-family areas, reducing pedestrian/vehicular conflicts, and providing drainage control.

The City used SEPA authority for conditioning new Northgate projects in a manner generally similar to its use of authority elsewhere in the City. The Northgate Plan-related topic most consistently discussed in City review of Northgate area projects was provision of Transportation Management Programs. Other topics, such as reducing pedestrian-vehicular conflicts, protecting single-family neighborhoods, protecting residential streets, and improving arterial operations, were not consistently discussed in decisions. Although not documented in every decision, these topics are typically considered by City staff in review of development proposals. The larger approved developments in the Northgate area (Touchstone, Northgate Mall GDP) were required to provide certain intersection improvements in order to avoid significant impacts on arterial traffic flows. In this sense, SEPA authority was used to help implement the Northgate Plan.

Street Project Contract Improvement

The Northgate Plan text indicates that when property owners are required to provide certain street improvements as a prerequisite to developing their property, they can arrange with the City for partial reimbursement for a portion of the costs from other property owners. This can occur when an assessment reimbursement area is formulated by the City and costs are apportioned, and can include gathering funds from subsequent developers (within 15 years) benefited by the improvements.

This arrangement has not been used in the Northgate area. For most individual development proposals, the extent of street improvements would be expected to consist of street frontage improvements and, possibly, minor off-site street/signalization improvements. This latecomer-oriented financing strategy may be seen as too complex to set up for relatively minor improvements, and individual developers choose to pay for the specifically identified impacts of their proposals.

Local Improvement Districts

The Northgate Plan text suggests that LIDs could be initiated by the City or property owners in the Northgate core to implement sidewalk, street, landscaping, lighting and even parking garage improvements on a large scale. The lack of use of this financial strategy is most likely due to the cost implications for owners.

As noted in the Green Streets discussion in this chapter, there are at least three major difficulties with successfully implementing LIDs:

- the high cost of street improvements;
Sidewalk and related drainage improvements typically cost hundreds of thousands of dollars per block. Costs are influenced by design and construction costs, and costly drainage facilities (catchbasins, drains, etc.).
- securing LID approval and private funds from adjacent property owners;
The adjacent property owners' contribution is equivalent to the property value benefit they receive due to the improvements (as determined by the assessor). This amount is frequently more than most property owners want to pay for such improvements.
- securing public funds.
Public fund sources would potentially include the General Fund, or Neighborhood Matching Funds. However, the City rarely allocates General Fund monies for this purpose.

An issue paper prepared by SEATRAN staff indicates, *"In the past the City funded the difference between the actual cost of the LID and the value of the special benefit through the City Street Fund. The City no longer has funds to absorb this cost. At this point, the committee's recommendation is to explore and finance a program that would be modest and underwrite small projects, particularly related to drainage and residential sidewalk options, offering "standard" options developed by the City."*

The issue paper recommends that the City re-establish a City Street Fund, which would be used for LID administration and to cover the cost difference between the special benefit derived and total construction costs for individual LID projects. The paper also indicates that research would be needed to identify possible funding sources (such as Neighborhood Matching Funds, Neighborhood Street Fund, SPU challenge grants, and state or federal sources). SPO endorses SEATRAN's recommendation to re-establish a City Street Fund.

Minor Text Amendments to Northgate Plan

During recent review of the Northgate Plan text, City staff recommended a few text changes to fine-tune the discussion about LIDs as a financing tool, as follows (changes shown in underline and ~~striketrough~~):

- A. *The City, or property owners ~~in the core~~ benefiting from the Northgate project could initiate a Local Improvement District (LID) to ~~implement~~ finance the sidewalk, street, ~~parking garage~~, and/or landscaping improvements all at once rather than piecemeal. This would allow the property owners to ~~spread~~ allocate the costs ~~out~~ to all benefiting properties and initiate some of the improvements that will increase the economic vitality of the core by improving access. ~~Because over 50% of the assessed value of the core area is owned by a few large property owners, approval of an LID may be quite expeditious.~~*

Even though there are only a few major property owners within the core area of the improvement the LID process would require approximately 12-18 months. It is preferable to have property owners initiate the petition process and this may require on-site meetings, preliminary budget figures and explanation of options for participation.

These changes would clarify the Northgate Plan text, and are recommended by SPO.

Northgate Open Space Fund

As noted in the Open Space discussion, the option of voluntary cash contributions in-lieu of providing on-site open space has not been used by developers in the planning area. Thus, no funds have been available to finance other desired open space or pedestrian improvements. The Land Use Code may be too difficult to interpret with regard to open space requirements, and appears to allow less of the required open space to be substituted with the in-lieu contribution than was originally intended by the Northgate Plan.

Transit Service Improvements

Seeking additional transit service is a strategy that benefits the Northgate area with financial implications for King County Metro rather than the City. Metro indicates that service has increased in the Northgate area between 1993 and 1999. However, not all of the transit service requested in the Northgate Plan was provided by Metro (refer to the Transportation discussion for details). Following approval of I-695 by voters in November 1999, Metro indicated that major cuts in transit service were required. This will make it more difficult for Metro to provide increased allocations of service to the Northgate area.

SPO RECOMMENDATIONS

- **DCLU decisions on development proposals in the Northgate Overlay District should more explicitly evaluate the proposals' relationship to additional SEPA policies defined in the Northgate Plan, including reduction of pedestrian/vehicular conflicts, maintaining and protecting single-family neighborhoods, protecting local streets, and improving arterial operations and flow.**
- **Re-establish a City Street Fund that would be used to administer LIDs and cover the City's portion of improvement costs for individual LIDs.**
- **Amend the Northgate Plan's text on use of LIDs as a financing tool (I.G. 16.2.A), to improve the clarity of the discussion.**
- **Evaluate the feasibility of different financing mechanisms for implementing improvements discussed in the Northgate Plan. Align this evaluation with other funding strategies being developed for other neighborhood plans.**